

# FDIC State Profile

Winter 2005

## Idaho

Idaho job growth continued to improve and wages increased modestly.

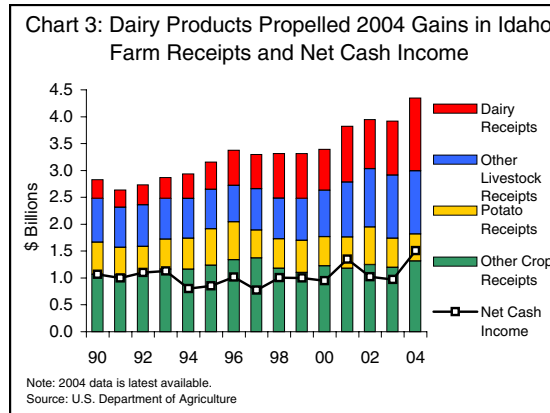
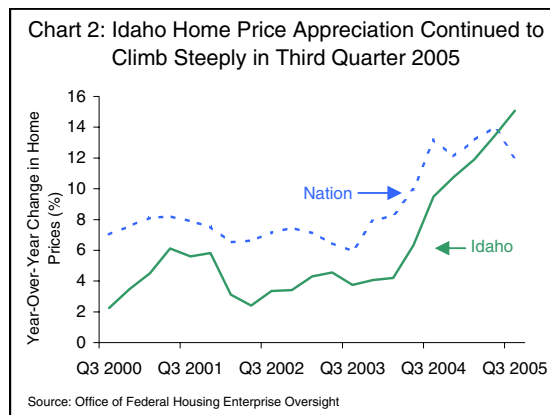
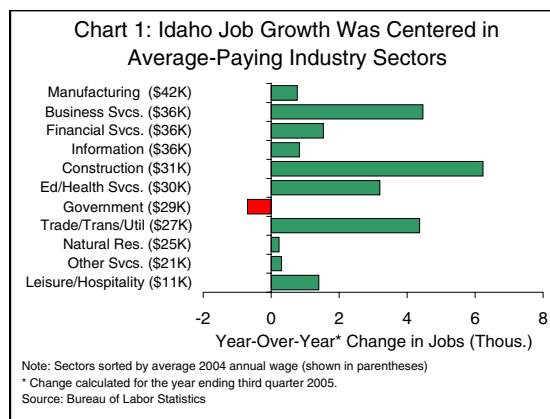
- Although Idaho job gains continued to accelerate in third quarter 2005 and ranked third nationwide, wage growth in the state was comparatively subdued. Recently released wage data for first quarter 2005 shows that Idaho wages increased just 1.6 percent, below the nation.
- The construction sector, which reported annual wages near the state average of \$29,400, had the strongest job gains in the state (see Chart 1). The business services and trade/transportation/utilities sectors also had solid job growth. Slow growth in the high-paying manufacturing sector likely constrained overall wage growth.
- Nevertheless, forecasts indicate that Idaho will continue to outpace the national rate of job growth in 2006.<sup>1</sup>

**Idaho residential markets remained robust.**

- During third quarter 2005, Idaho home-price appreciation accelerated to a year-over-year rate of 15.1 percent (see Chart 2).<sup>2</sup> Home-price appreciation has climbed steeply since 2003 and, in third quarter 2005, exceeded the U.S. level for the first time since early 1996.
- Coeur d'Alene** reported a 29.9 percent year-over-year appreciation rate during third quarter, the seventh-highest rate in the nation and the fastest pace of any Idaho metropolitan market.
- In November, realtors reported that **Boise** was a “sellers market” with heavy investor demand and homes selling above asking prices.

**Idaho agricultural conditions remained solid, but dairy farmers may face challenges.**

- Idaho farm cash receipts and net cash income increased significantly during 2004, mostly because of a 35 percent increase in dairy receipts (see Chart 3). Larger production volumes and abnormally high prices for milk products contributed to the trend.



<sup>1</sup>Forecast data from Moody's Economy.com.

<sup>2</sup>Based on data from the Office of Federal Housing Enterprise Oversight.

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- The U.S. Department of Agriculture forecasts continued increases in milk production in 2005 and 2006, but lower average prices for milk products. Pricing pressures could challenge Idaho dairy farmers, who generated an important 31 percent of statewide farm receipts in 2004.

### Strong population growth propelled deposit growth.

- Idaho has ranked in the top ten states in population growth for the last 15 years. Idaho added 11 banking offices over the 12 months ending June 2005 and ranked 21<sup>st</sup> nationally in office growth.
- Nearly half of the new branches were located in Boise. Residents per office, in Boise, are below metropolitan areas nationwide (see Map 1).
- Idaho-based institutions gained market share within the state during the past five years. Branch deposits held by in-state banks climbed from 21 to 31 percent of total deposits.

### Bank and thrift earnings performance strengthened.

- Third quarter 2005 median earnings increased notably year-over-year at Idaho insured institutions. Margin expansion and increased noninterest income offset higher overhead expenses and provision expenses. Idaho-based insured institutions reported the fifth highest median pre-tax return on assets ratio nationally because of strong margins and noninterest income. Noninterest income rose on higher loan sale gains and service charges.
- Rising short-term interest rates benefited margins as Idaho-based banks significantly decreased their investment in instruments maturing in excess of five years (see Chart 4).<sup>3</sup> High levels of short-term assets and non-interest bearing deposits likely aided margins.
- About 12 percent of institutions reported no provision expense in the third quarter, down from 33 percent during the same period last year. Median provision expenses increased year-over-year and ranked third highest nationwide. Idaho-based insured institutions possibly increased provision expenses to keep allowance levels stable in the face of rapid loan growth, which ranked eighth highest nationwide.

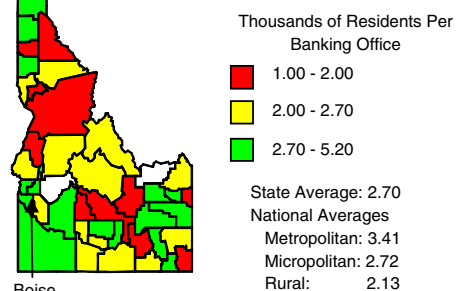
### Problem loan ratios remained low, but exposure to higher-risk loans increased.

- Past-due loan ratios among Idaho-based institutions declined to 0.68 percent as of third quarter 2005, the lowest level in at least ten years. Nearly two-thirds of the

state's institutions reported past-dues below 1 percent (see Chart 5).

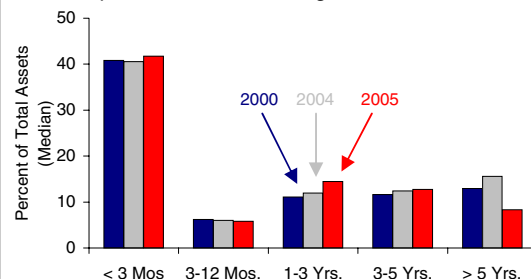
- Improved economic fundamentals and strong loan growth in construction and other commercial real estate (CRE) loan categories may have eased past-dues.
- However, exposure to higher-risk loans increased in the third quarter. Commercial mortgage loan growth pushed the aggregate concentration of CRE loans-to-Tier 1 capital ratio to the eighth highest level in the nation and increased construction exposures to the fourth highest.

Map 1: Boise Reported More Residents Per Branch Than Most Other Areas in Idaho



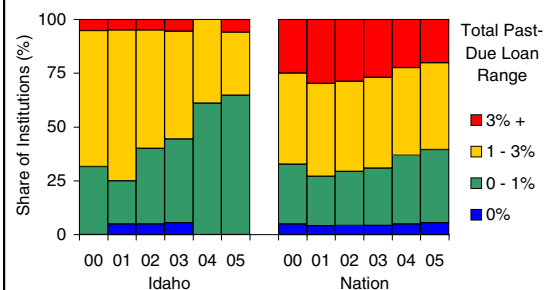
Source: FDIC, U.S. Census Bureau

Chart 4: Short-Term Asset Levels Offset The Margin Impact Of Increased Longer-Term Assets



Note: Loans and securities are shown by reported repricing and/or maturity. Fed funds sold and interest-bearing deposits at other banks are assumed to reprice within 3 months.  
Source: FDIC (Call Report filers only, September of each year)

Chart 5: Most Idaho-Based Institutions Reported Low Delinquency Ratios



Note: Includes loans past due 30 days or more or on nonaccrual status.  
Source: FDIC (September of each year)

<sup>3</sup>Asset-sensitive institutions have interest-bearing assets that mature or reprice more quickly than interest-bearing liabilities.

## Idaho at a Glance

**ECONOMIC INDICATORS** (Change from year ago, unless noted)

<b>Employment Growth Rates</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Total Nonfarm (share of trailing four quarter employment in parentheses)	3.8%	3.4%	3.1%	2.6%	0.7%
Manufacturing (10%)	1.2%	1.5%	0.9%	-0.7%	-4.6%
Other (non-manufacturing) Goods-Producing (8%)	13.6%	11.1%	8.3%	8.0%	0.3%
Private Service-Producing (63%)	4.3%	3.2%	3.5%	3.1%	1.6%
Government (19%)	-0.6%	1.8%	1.1%	1.1%	0.8%
Unemployment Rate (% of labor force)	3.9	3.9	4.7	4.8	5.3

<b>Other Indicators</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Personal Income	N/A	7.1%	7.7%	7.9%	2.5%
Single-Family Home Permits	34.7%	27.4%	12.3%	15.5%	23.3%
Multifamily Building Permits	22.2%	2.3%	24.7%	0.4%	-4.1%
Existing Home Sales	12.3%	N/A	13.3%	15.9%	7.4%
Home Price Index	15.1%	13.4%	9.5%	7.7%	4.2%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	8.72	7.87	6.66	6.85	6.91

**BANKING TRENDS**

<b>General Information</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Institutions (#)	17	17	18	17	18
Total Assets (in millions)	6,339	6,061	5,484	5,462	4,728
New Institutions (# < 3 years)	0	0	0	0	1
Subchapter S Institutions	0	0	0	0	0

<b>Asset Quality</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.68	0.85	0.80	0.77	1.04
ALLL/Total Loans (median %)	1.28	1.30	1.28	1.25	1.36
ALLL/Noncurrent Loans (median multiple)	6.68	6.30	3.64	3.76	3.49
Net Loan Losses / Total Loans (median %)	0.01	0.03	0.06	0.08	0.11

<b>Capital / Earnings</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Tier 1 Leverage (median %)	8.72	8.86	8.41	9.06	8.42
Return on Assets (median %)	1.36	1.24	1.06	0.99	0.98
Pretax Return on Assets (median %)	2.03	1.90	1.67	1.51	1.53
Net Interest Margin (median %)	5.34	5.21	4.73	4.69	4.65
Yield on Earning Assets (median %)	6.92	6.61	6.04	5.96	6.23
Cost of Funding Earning Assets (median %)	1.90	1.70	1.56	1.59	1.56
Provisions to Avg. Assets (median %)	0.21	0.15	0.12	0.20	0.26
Noninterest Income to Avg. Assets (median %)	1.08	1.03	1.01	0.95	1.25
Overhead to Avg. Assets (median %)	3.70	3.74	3.52	3.52	4.01

<b>Liquidity / Sensitivity</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Loans to Assets (median %)	72.0	73.5	70.2	71.8	71.7
Noncore Funding to Assets (median %)	19.0	19.4	19.1	21.4	18.1
Long-term Assets to Assets (median %, call filers)	9.4	11.5	15.9	13.4	19.3
Brokered Deposits (number of institutions)	8	8	8	8	7
Brokered Deposits to Assets (median % for those above)	3.7	4.0	3.5	3.2	3.6

<b>Loan Concentrations (median % of Tier 1 Capital)</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Commercial and Industrial	158.5	160.2	166.0	154.4	163.1
Commercial Real Estate	385.6	367.8	314.0	329.7	271.9
<i>Construction &amp; Development</i>	128.6	114.3	92.2	114.0	75.2
<i>Multifamily Residential Real Estate</i>	3.7	3.6	3.8	3.8	1.7
<i>Nonresidential Real Estate</i>	191.4	199.5	199.7	196.0	197.8
Residential Real Estate	110.2	110.8	123.0	119.8	129.9
Consumer	38.7	41.2	55.5	48.5	52.2
Agriculture	60.1	60.4	67.4	50.1	53.4

**BANKING PROFILE**

<b>Largest Deposit Markets</b>	<b>Institutions in Market</b>	<b>Deposits (\$ millions)</b>	<b>Asset Distribution</b>	<b>Institutions</b>
Boise City-Nampa, ID	21	6,171	< \$250 million	7 (41.2%)
Coeur d'Alene, ID	14	1,472	\$250 million to \$1 billion	10 (58.8%)
Idaho Falls, ID	11	1,008	\$1 billion to \$10 billion	0 (0%)
Lewiston, ID-WA	9	714	> \$10 billion	0 (0%)
Pocatello, ID	12	574		